

# Standard Chartered Bank Botswana Limited

## Audited Financial Results for the year ended 31st December 2017

The directors have pleasure in announcing the Group (Standard Chartered Bank Botswana and its subsidiaries\*) audited financial results of the Bank for the 12 months ended 31 December 2017 together with comparative figures for 2016.

### Key Financial Highlights

- The Balance sheet remains strong increasing by 8%
- Customer deposits grew by 9%
- Loans and advances to customers dropped marginally by 0.9%
- The Bank remains liquid with a 25% liquidity ratio
- Operating income down by 6% reflecting challenging market conditions
- Operations expenses excluding impairment increased by 15% due to continuing technical support and investment in staff

### Botswana Economic Environment

According to the Ministry of Finance, the real Gross Domestic Product (GDP) is expected to register a year-on-year growth of 4.7% in 2017. The rebound in economic growth is expected to benefit from the recovery in the global economy, while that of non-mining sectors should be supported by the impact of Government's interventions relating to policies and strategies adopted to diversify the country's sources of growth.

The Bank of Botswana through its monetary policy reduced the bank rate by 50 basis points to 5.0% during 2017 to provide added stimulus to the domestic economic environment. Inflation is expected to be moderate in the short-term and the Central Bank expects it to remain within the 3-6% target band in the medium term.

### Business and Financial Position Review

Despite the challenging period Standard Chartered Bank has endured, the Group remained resolute. In addition, the Group draws support and benefit from the parent through tested ideas in driving sustainable financial growth and increased value for its shareholders. Our guiding principles as we position the Group for future growth, is to embrace the clients' needs and demands and work to improve our service quality leveraging on our world class digital solutions that offer greater convenience and cost efficiencies.

Retail banking segment remained resilient delivering strong performance despite a competitive environment. Commercial banking segment continued its strong positive stride since inception; significantly reducing its loss position, almost breaking even. Corporate and Institutional Banking segment has exited high risk sectors and improved the concentration risk in its asset book hence improving the overall credit quality of the book. The segments are now well positioned for accelerated growth and positive contribution to the Group performance. Overall the balance sheet is well positioned to accommodate good growth and take advantage of the opportunities offered by the promising economic activities in Botswana.

The Group had a challenging financial year attributable to constrained revenue growth, a significant loan impairment charge on one client and increase in costs. Interest rates remained low in 2017, further strained by a reduction in the bank rate and negatively impacting margins.

The Implementation and adoption of IFRS 9 will materially influence Banks' financial statements, with impairment calculations affected most. In preparation for this, the Bank has reviewed its capital management plan with a view to enhancing its capital base.

### Here for good

This year was a milestone year for the Bank in Botswana as we celebrated 120 years of existence in the country. This significant milestone served as a proud reminder of the banks heritage and contributions as the oldest bank to be in operation in Botswana – an achievement that brings with it great pride but also great responsibility.

The Bank reaffirms that delivering value to the communities which allow us to be its citizens is as of key importance as our business performance and at the core of our Brand Promise of being "Here for good". The bank's flagship CSR programme - Seeing is Believing (SiB) - continues to be a phenomenal success globally showcasing the power of partnership including in Botswana. Following the success of the PEEK Botswana pilot school screening project in conjunction with the Ministries of Health and Wellness and Basic Education, plans continue to progress to roll out free eye screening to primary school children across the country in an effort to detect and prevent curable blindness. This initiative has the potential to make Botswana the first country in the world to offer this life-changing opportunity to its citizens.

As we look towards 2018, the Bank will seek ever more impactful partnerships to drive sustainable and lasting projects in communities across the country in line with Vision 2036's mandate of prosperity for all. Targeted efforts through our Employee Volunteering, Financial Education, Seeing is Believing, Education Trust and global partnerships will allow us to continue to close side-by-side relationship with the growth and prosperity of our economy.

### Dividend Declaration.

A dividend of BWP49.7 million (16.66 thebe) per ordinary share was declared and paid during the year out of the 2016 profits.

### Conclusion

The Group has made good progress on the refreshed strategy and achieved steady progress against its strategic objectives; building strength and efficiency into all areas of the business, increased focus is on clients, people and leveraging on strong international networks. This remains key to delivering better value and returns for our stakeholders.

The fundamentals of the business remain intact. We have a great franchise, outstanding client relationships, shareholder support and the right team to drive the Group's strategy.

### Approved by the Board of directors on 05 March 2018

**Bojosi Othogile**  
Chairman  
Gaborone

**Mpho Masupe**  
Managing Director  
Gaborone

### Auditors

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Audit  
Plot 67977, Off Tlokweng Road,  
Fairgrounds Office Park  
PO Box 1519, Gaborone, Botswana  
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Fax +267 397 5281  
Web <http://www.kpmg.com/>

### CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	31-Dec-17 (P'000s)	31-Dec-16 (P'000s)
Interest Income	809 719	807 467
Interest expense	(292 244)	(273 345)
<b>Net interest income</b>	<b>517 475</b>	<b>534 122</b>
Fee and commission income	296 854	291 551
Fee and Commission expense	(51 046)	(41 390)
Net fee and Commission income	245 808	250 171
Net trading Income	89 968	123 561
<b>Revenue</b>	<b>853 251</b>	<b>907 854</b>
<b>Operating expenses</b>	<b>(261 401)</b>	<b>(227 498)</b>
Staff expenses	(529 199)	(459 266)
Other expenses	(32 202)	(68 232)
<b>Total operating expenses</b>	<b>(790 600)</b>	<b>(686 764)</b>
<b>Profit before impairment losses</b>	<b>62 651</b>	<b>221 090</b>
Net impairment loss on financial assets	(295 435)	(117 509)
<b>(Loss) / profit before taxation</b>	<b>(232 784)</b>	<b>103 581</b>
Income taxation	43 462	(23 863)
<b>Total comprehensive (loss) / income for the year</b>	<b>(189 322)</b>	<b>79 718</b>
Number of ordinary shares in issue during the period at 100 thebe per share	298 350 611	298 350 611
Basic and diluted earnings per share (thebe)	(63.50)	26.72
Dividend per share (thebe) - declared in the year	16.66	40.23
Dividend per share (thebe) - paid in the period	16.66	30.17

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31-Dec-17 (P'000s)	31-Dec-16 (P'000s)
<b>Assets</b>		
Cash and balances with central bank	969 846	1 066 099
Loans and advances to banks	2 577 528	2 092 855
Investment securities	3 364 689	2 783 872
Loans and advances to customers	7 589 863	7 659 996
Other assets	371 550	169 275
Tax refundable	1 408	3 999
Property and equipment	64 430	56 213
Intangible Assets and goodwill	34 253	42 895
Deferred taxation	71 476	-
<b>Total assets</b>	<b>15 045 043</b>	<b>13 875 204</b>
<b>Liabilities</b>		
Deposits from other banks	1 108 372	701 049
Deposits from customers	12 245 757	11 274 890
Other liabilities	208 670	184 919
Deferred taxation	-	10 115
Income tax liabilities	17 504	-
Senior and subordinated debt	686 260	686 260
<b>Total liabilities</b>	<b>14 266 563</b>	<b>12 857 222</b>
<b>Equity</b>		
Stated capital	179 273	179 273
Reserves	599 207	838 709
<b>Total equity</b>	<b>778 480</b>	<b>1 017 982</b>
<b>Total liabilities and equity</b>	<b>15 045 043</b>	<b>13 875 204</b>

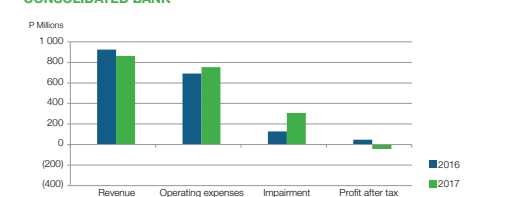
### CONSOLIDATED STATEMENT OF CASH FLOWS

	31-Dec-17 (P'000s)	31-Dec-16 (P'000s)
<b>Cash flows from operating activities</b>		
(Loss) / profit before taxation	(189 322)	79 718
Adjustments for:		
-Taxation	(43 462)	23 863
-Depreciation	4 764	5 357
-Amortisation	18 431	18 225
-Impairment change on loans and advances	179 490	117 509
-Movement in operating lease accrual	4 411	(1 869)
	<b>(25 688)</b>	<b>242 803</b>
Change in investment securities	(581 429)	(475 511)
Change in loans and advances to customers	(109 357)	(589 496)
Change in other assets	(202 275)	(2 333)
Change in deposits from other banks	407 324	(583 490)
Change in amounts due from customers	970 877	1 408 895
Change in other liabilities non banking position	19 341	(51 386)
	<b>478 793</b>	<b>(50 518)</b>
Taxation refunded	-	18 297
Taxation paid	(17 900)	(34 362)
<b>Net cash generated from / (used in) operating activities</b>	<b>460 893</b>	<b>(66 583)</b>
<b>Cash flow from investing activities</b>		
Acquisition of property and equipment	(12 981)	(5 624)
Acquisition of intangibles	(9 789)	(14 907)
	<b>(22 770)</b>	<b>(20 531)</b>
<b>Cash flow from financing activities</b>		
Dividends paid	(49 703)	(120 026)
	<b>(49 703)</b>	<b>(120 026)</b>
<b>Net cash used in financing activities</b>	<b>(49 703)</b>	<b>(120 026)</b>
<b>Increase / (decrease) in cash and cash equivalents</b>	<b>388 420</b>	<b>(207 140)</b>
<b>Cash and cash equivalents:</b>		
Cash and cash equivalents at 1 January	3 158 954	3 366 094
<b>Cash and cash equivalents at 31 December 2017</b>	<b>3 547 374</b>	<b>3 158 954</b>

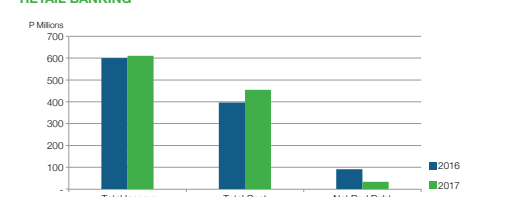
\* The financial statements of SCB Insurance Agency and Botswana Education Trust have been consolidated using uniform accounting policies for like transactions and other events in similar circumstances.

\*\* Cash and cash equivalent are cash balances and balances held with Central Bank and other financial institutions with maturity of 0-3months.

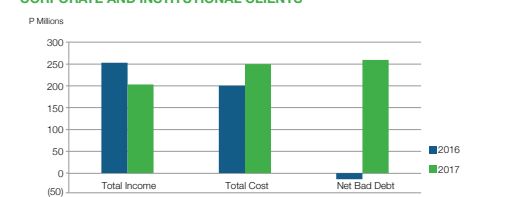
### CONSOLIDATED BANK



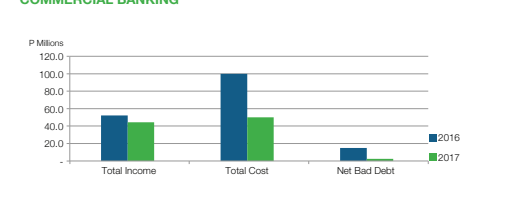
### RETAIL BANKING



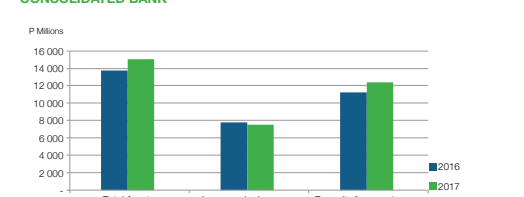
### CORPORATE AND INSTITUTIONAL CLIENTS



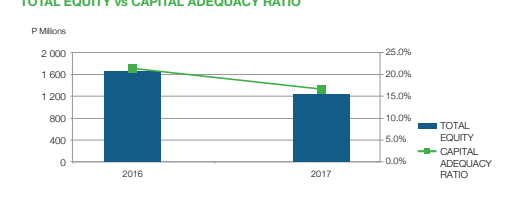
### COMMERCIAL BANKING



### CONSOLIDATED BANK



### TOTAL EQUITY vs CAPITAL ADEQUACY RATIO



### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital (P'000)	Revaluation reserve (P'000)	Statutory credit risk reserve (P'000)	Retained earnings (P'000)	Capital contribution (P'000)	Treasury share reserve (P'000)	Available for sale reserve (P'000)	Total (P'000)
<b>Balance at 01 January 2016</b>	<b>179 273</b>	<b>6 327</b>	<b>8 223</b>	<b>833 051</b>	<b>28 213</b>	<b>(31 566)</b>	<b>17 760</b>	<b>1 041 281</b>
Total comprehensive income	-	-	-	79 718	-	-	-	79 718
Profit for the year	-	-	-	79 718	-	-	-	79 718
Fair value adjustment: Available for securities	-	-	-	-	-	-	(355)	(355)
Fair value adjustment: Property and equipment	-	17 364	-	-	-	-	-	17 364
<b>Transaction with owners of the bank</b>								
Dividend to equity holders - paid	-	-	-	(120 026)	-	-	-	(120 026)
Transfer from retained Earnings to statutory credit risk reserve	-	-	10 929	(10 929)	-	-	-	-
<b>Balance at 31 December 2016</b>	<b>179 273</b>	<b>23 691</b>	<b>19 152</b>	<b>781 814</b>	<b>28 213</b>	<b>(31 566)</b>	<b>17 405</b>	<b>1 017 982</b>
Total comprehensive income	-	-	-	(189 322)	-	-	-	(189 322)
Loss for the year	-	-	-	(189 322)	-	-	-	(189 322)
Fair value adjustment: Available for sale securities	-	-	-	-	-	-	(477)	(477)
Transaction with owners of the bank	-	-	-	(49 703)	-	-	-	(49 703)
Dividend to equity holders - paid	-	-	-	(49 703)	-	-	-	(49 703)
<b>Balance at 31 December 2017</b>	<b>179 273</b>	<b>23 691</b>	<b>19 152</b>	<b>542 789</b>	<b>28 213</b>	<b>(31 566)</b>	<b>16 928</b>	<b>778 480</b>

### CONSOLIDATED SEGMENTAL REPORTING

	2017			Total (P'000)	2016			Total (P'000)
	Retail Banking (P'000)	Institutional Banking (P'000)	Commercial Banking (P'000)		Retail Banking (P'000)	Institutional Banking (P'000)	Commercial Banking (P'000)	
<b>Profit or loss</b>								
Net interest income	370 369	124 777	22 329	517 475	361 843	148 679	23 600	534 122
Non interest income	237 188	72 896	25 692	335 776	236 724	106 783	30 225	373 732
Revenue - external sources	607 557	197 673	48 021	853 251	598 567	255 462	53 825	907 854
Impairment charge	(23 681)	(270 378)	(1 376)	(295 435)	(121 035)	19 845	(16 319)	(117 509)
<b>Net income after impairment</b>	<b>583 876</b>	<b>(72 705)</b>	<b>46 645</b>	<b>557 816</b>	<b>477 532</b>	<b>275 307</b>	<b>37 506</b>	<b>790 345</b>
Operating expenditure	(460 487)	(278 912)	(51 201)	(790 600)	(387 664)	(198 465)	(100 636)	(686 764)
<b>Profit / (loss) before taxation</b>	<b>123 389</b>	<b>(351 617)</b>	<b>(4 556)</b>	<b>(232 784)</b>	<b>89 868</b>	<b>76 843</b>	<b>(63 130)</b>	<b>103 581</b>
<b>Statement of financial position</b>								
Investment securities	-	3 364 689	-	3 364 689	-	2 783 872	-	2 783 872
Loans and advances to customers	6 040 040	1 259 646	290 177	7 589 863	5 294 006	2 238 781	127 209	7 659 996
Other assets for reportable segments	23 277	4 064 421	2 793	4 090 491	16 364	3 411 010	3 962	3 431 336
<b>Total assets for reportable segments</b>	<b>6 063 317</b>	<b>8 688 756</b>	<b>292 970</b>	<b>15 045 043</b>	<b>5 310 370</b>	<b>8 433 663</b>	<b>131 171</b>	<b>13 875 204</b>
Deposits from non bank customers	2 894 457	7 196 818	2 154 482	12 245 757	3 310 094	6 338 424	1 626 362	11 274 890
Other liabilities for reportable segments	7 975	2 055 961	(43 130)	2 020 806	10 478	1 564 861	7 003	1 582 342
<b>Total liabilities for reportable segments</b>	<b>2 902 432</b>	<b>9 252 779</b>	<b>2 111 352</b>	<b>14 266 563</b>	<b>3 320 572</b>	<b>7 903 285</b>	<b>1 633 365</b>	<b>12 857 222</b>